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WESTERN EUROPE - CANADA - INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Prospects for MBFR

Many West Europeans will look for signs of progress at the Vienna force reduction talks as providing the first major test of the spirit of Helsinki. The need to break the deadlock in Vienna has emerged as a major theme at the European security conference summit.

General Secretary Brezhnev stated that it was a "priority goal" of the Soviet Union to "find ways to reduce armed forces and armaments in Central Europe". The theme of force reductions was echoed by many Western leaders, including President Ford and West German Chancellor Schmidt.

Allied representatives in Brussels have in fact been negotiating diligently to clarify the nuclear proposal made by the West and to overcome reservations on the part of some of the Europeans in time to present the so-called Option III in the next round of talks this fall. This proposal—long awaited by the East—calls for the removal of some US nuclear warheads and delivery systems from Western Europe in return for Soviet withdrawal of a tank army and as firm a Soviet commitment as possible to a common ceiling for both Warsaw Pact and NATO forces in Central Europe.

Agreement has been reached on a large number of issues including the content of the package, definition of forces, and the extent of initial reductions. Substantial differences remain, however, in two key areas: limitations on allied armaments and the definition of a common ceiling.

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Talks will continue in Brussels for another week or two, but high-level negotiations will not begin until September when senior officials return to Brussels. Negotiators expect that the outstanding problems can be sufficiently resolved in time to present the Western proposal in the fall round of the Vienna talks.

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Fishing Issue Heats Up in Iceland

Icelandic government leaders have once again revived their old tactic of linking settlement of fisheries and trade issues to Iceland's continued membership in NATO and maintenance of the US-manned NATO base at Keflavik. Iceland last used this ploy during the cod war in 1973 when it tried to use the base issue to force the US and NATO to aid Iceland in its fishing dispute with the UK.

Prime Minister Halgrimmsson and Progressive Party Chairman Johannesson warned the US embassy in Reykjavik recently that unless West Germany withdraws its veto of EC tariff concessions on Icelandic fish products, and both the UK and West Germany agree to stop fishing within Iceland's 50-mile zone, Reykjavik may retaliate against the Keflavik base and reconsider its membership in NATO.

Iceland's decision on July 15 to extend its fishing limits to 200 miles, which becomes effective on October 15, has undoubtedly prompted the new warning. West Germany and Iceland are still quarreling over a pact governing fishing by foreign trawlers within the 50-mile limit. Iceland has refused to allow German freezer trawlers to operate in its waters and West Germany has retaliated by banning sales of Icelandic fish in Germany and opposing proposals to grant EC preference to Reykjavik. Once Iceland begins to enforce the 200-mile limit, it will be even more difficult for the two sides to reach agreement.

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British fishermen currently operate in waters off Iceland under the terms of a two-year agreement reached in November, 1973. The intermittent fishing dispute between the two countries could heat up once again unless bilateral talks lead to an extension of the existing agreement permitting British trawlers to operate within Iceland's 50-mile zone.

Iceland's economy is clearly being hurt by the West German veto of EC tariff concessions on fish products. Protection of the vital fishing industry is an emotional issue in Iceland and political leaders will be more tempted than ever to link settlement of this dispute with Iceland's defense commitments, particularly if the economy continues to slide.

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EC Commissioner Takes New Tack on Trade Negotiations

The EC official in charge of community trade policy is calling attention to "massive American pressure" for European concessions on US exports and is linking this to a US need to remedy structural unemployment. His pitch could presage an EC push for rethinking the scope of the multilateral trade negotiations now underway in Geneva.

In a statement published this week in a Danish newspaper, Commissioner Gundelach also alluded to the growing number of US investigations into imports which, if found to be unfairly subsidized, would be subject to countervailing US duties. He said such actions were not coincidental but part of a determined trade policy strategy—for which the EC did not yet have a counter strategy.

The commissioner stated that the US can expect an economic upturn earlier than Europe. He implied that the US, however, would still have a need to combat domestic unemployment beyond any recovery period--since the unemployment is built into the economy--and that the US will thus intensify its export drive as well as measures against disruptive imports.

The theme of structural unemployment is again apparently becoming fashionable in Europe. The latest OECD survey of its member-country economies noted that higher structural unemployment probably added to the increases in unemployment attributable largely to business conditions. A leading economic journalist for Le Monde expanded on that reference this week to question whether persistent unemployment that responds little, if at all, to a reduction in inflation would be politically tolerable.

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For Gundelach, the lesson is that a new set of trade policy rules must be geared to a "world of rundamentally changed economic factors." These include a reduced level of growth, technological developments, and rising energy costs together with the search for alternative energy sources.

It remains to be seen what echoes Gundelach gets from EC members. The commissioner is probably trying to move the community toward a more imaginative approach to the trade negotiations. His message, however, would seem to argue against agreement with the US on its desire for early accords on selected trade restraints.

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Subdued Reaction by French Press and Labor to Liquidation of US Subsidiary

The announcement last Monday by a US-owned major French industrial enterprise that it has initiated liquidation proceedings has so far failed to produce the anticipated adverse reaction in France. The press has paid only passing interest to the appointment of a court administrator for Ideal Standard—a subsidiary of American Radiator Standard Sanitary Company of New York—and there have been no visible disturbances at any of the firm's five French factories.

The subdued reaction is surprising in view of the country's preoccupation with unemployment-now at its highest since World War II--and the current campaign by the major trade union confederations to keep labor disputes in the public eye over the summer.

In part, the apparently relaxed atmosphere at the plants may be due to the prompt action of American Standard officials who are working closely with the administrator and the French government. The US officials assured Ideal Standard's French bankers that any losses incurred will be covered by the parent company. The banks thereupon released the firm's final payroll and holiday bonuses which were being held to retire the subsidiary's outstanding debts.

The immediate blow to the company's 5,100 employees will also be cushioned by the generous unemployment compensation initiated by President Giscard last fall. The new legislation guarantees workers who are laid off for economic reasons 90 percent of their gross pay for one full year. The August holiday season will further discourage immediate action.

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The unions may still seek to use the multinational's liquidation as a focus for discontent next month when unemployment figures are expected to top the one million mark.

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The "Irelandization" of the Swiss Jura

Violence has again erupted in the Jura region of Bern canton between Catholic separatists who want to form an independent canton and Protestant loyalists wishing to remain administratively connected to Bern. One conservative newspaper has referred to the situation as the "Irelandization" of the Jura.

Last year the entire Jura region voted by a narrow margin to separate from Bern canton. Last March another round of plebiscites was held in which French-speaking Protestants in the three southern districts voted to remain with Bern. A third plebiscite is scheduled for September when border communities will decide whether they want to join the Jura separatists or remain with Bern.

The results of the scheduled plebiscite are not expected to settle the issue. Separatist leader Robert Beguelin has said that "the fight will go on" for a united Jura regardless of the outcome of the voting. Events in the Jura could encourage linguistic minorities in other cantons to press more vigorously for various forms of autonomy.

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Strains in Spanish-Portuguese Relations

New strains in relations between Spain and Portugal will make it difficult for the two countries to preserve a facade of friendly bilateral relations and may compromise their alleged policy of non-interference in each other's affairs.

These strains include economic difficulties, a mutually hostile tone in the news media of both countries, and the recent decision by Madrid and Lisbon to permit emigre groups to operate from their respective territory.

At a meeting of a mixed Spanish-Portuguese commission in Lisbon on July 24 and 25, the Portuguese expressed concern about the current annual deficit in bilateral trade--amounting to \$150 million--and asked that the trade be brought into balance. The Spaniards claimed that expenditures by Spanish tourists offset the deficit, but Lisbon reportedly asked Madrid to seek other ways to balance trade because of the decline in tourism. The Spaniards also protested the difficulties Spanish firms have encountered in Portugal because of government intervention and labor unrest.

Although Spain does not recognize political asylum as such, a high Spanish official recently admitted to the US embassy that some former officials of the Portuguese secret police who escaped from prison in Portugal recently had reached Spain and were being allowed to take up residence. This will present difficulties when Lisbon requests extradition.

Even more serious is Madrid's alleged tolerance of a Portuguese exile group known as the Portuguese
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Madrid recently protested Portugal's decision to allow the "Socialist Youth of Spain" to hold a congress in Lisbon and to permit the publication in Oporto of a manifesto by a Spanish Galician separatist organization.

Madrid is also worried about Portuguese radio broadcasts attacking the Franco government. One such broadcast publicized the manifesto of an illegal Spanish opposition group that was formed recently. Other broadcasts have alleged that Spain is harboring mercenaries who plan to intervene in Portugal and that Portuguese ex-president Spinola had met with other exiles in Madrid. Madrid retaliated by describing Portugal's new leadership as a "Communist troika" in a telecast on July 26.

The departure from the Portuguese government of former foreign ministers Antunes and Soares--both of whom had worked hard to maintain friendly relations between Lisbon and Madrid--will add an additional element of uncertainty to their relations.

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